

# 2021 Budget Review

December 2020

# Summary

- The Board Resolution provides approval for budget year 2021 and two planning years
  - A 2021 combined total of the two budget components (Non-fuel O&M and Capital) of **\$797,683,000** for the Electric and Water Systems

	Electric System	Water System	Combined Systems
(All amounts in \$ 000s)			
Non-Fuel O&M	\$478,334	\$5,876	\$484,210
Capital	307,139	6,334	313,473
Total	\$785,473	\$12,210	\$797,683

- Projected payment to the state of South Carolina of **\$16,918,000** which represents 1% of projected operating revenues from the combined Electric and Water Systems

# Electric System

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# Assumptions

- **Load Forecast.** Demand and energy requirements are based on the Load forecast (LF20-01) dated May 2020. This forecast incorporates impacts of COVID-19 on the Authority's territorial load of approximately 4% in 2021 with the effects gradually improving through 2024. The forecast also incorporates reduced sales after 2022 due to discontinued service to a large industrial customer.
- **Interest Rates.** Tax-exempt (MMD) rates, Treasury rates, and interest rate spreads are the same as used in the Reform Plan completed in 2019. These benchmark rates are higher than current rates. The 10-year call provisions available for Santee Cooper's new and existing tax-exempt debt are assumed to be exercised when economical.
- **Fuel Projections.** 2021 Budget assumptions based on NYMEX Henry Hub gas curve and delivered coal projections based on current contracts as well as uncommitted coal estimates.

Benchmark Interest Rates		
	<u>Taxable UST</u>	<u>Tax-Exempt MMD</u>
10-Year	1.92%	1.52%
30-Year	2.40%	2.13%

Fuel			
	<u>2020</u>	<u>2021</u>	<u>2022</u>
Delivered Coal Price \$/Ton	64.44	60.67	61.53
Henry Hub Gas Price \$/MMBtu	2.74	2.60	2.53

# Electric System Revenue Requirements (\$000's)



	Budget Year					
	2021		2022		2023	
Fuel/Purchase Power	\$ 602,681	35.7%	\$ 588,730	35.6%	\$ 557,014	33.2%
Debt Service	417,269	24.8%	457,340	27.7%	480,739	28.7%
Non-Fuel O&M	478,331	28.4%	436,571	26.4%	466,353	27.8%
CIFR, Pmt to State, Sums in Lieu & Working Capital	187,248	11.1%	169,552	10.3%	171,349	10.2%
Total	<u>\$ 1,685,528</u>	100.0%	<u>\$1,652,193</u>	100.0%	<u>\$ 1,675,455</u>	100.0%
¢/kWh	7.205		6.835		7.145	
GWh sales	23,395		24,173		23,449	

# Changes to Revenue Requirements

## 2021 Budget vs. 2020 Budget



Revenue Requirements	CY2021	CY2020	Comparison 2021 vs. 2020
Fuel	\$482,908	\$475,712	\$7,196
Purchase Power	119,773	196,880	(77,107)
Debt Service	417,269	456,650	(39,381)
<b>NFOM</b>			
Payroll	189,825	192,090	(2,265)
Other	218,942	184,108	34,834
Summer Nuclear	69,564	64,747	4,817
<b>Total</b>	<b>478,331</b>	<b>440,945</b>	<b>37,386</b>
CIFR, Pmt to State, Sums in Lieu & Working Capital	187,248	178,710	8,538
<b>Total</b>	<b>\$1,685,528</b>	<b>\$1,748,898</b>	<b>(\$63,369)</b>
<b>¢/kWh</b>	<b>7.205</b>	<b>7.221</b>	<b>(0.017)</b>
GWh sales	23,395	24,218	(823)

1) Other includes contract services, materials, insurance, employee development, fleet equipment, leases and rentals, etc.

# Electric System - Earnings Statement

(\$000's)



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	2021	2022	2023
Total Operating Revenues	1,681,242	1,698,573	1,674,745
Total Operating Expenses	1,338,633	1,288,558	1,291,768
Net Operating Income	342,609	410,015	382,977
Other Income/(Expenses)	76,790	(8,224)	(90,852)
Total Interest Charges	305,905	298,182	290,035
Cost To Be Recovered From Future Rates	9,746	681	(60,983)
Reinvested Earnings	123,240	104,290	(58,893)
Payment To State	16,812	16,986	16,747
Net Reinvested Earnings	106,428	87,304	(75,640)

# Water System

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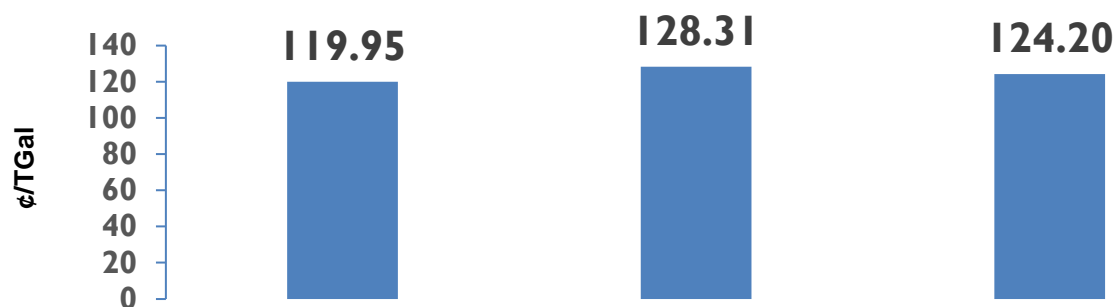


# Combined Water Systems

## Cost of Water (¢/TGal)



	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Total Cost</b>	<b>\$9,665</b>	<b>\$10,378</b>	<b>\$10,521</b>
<b>Tgal Sales</b>	<b>8,057,609</b>	<b>8,088,410</b>	<b>8,471,160</b>



<b>Total Costs (\$000s)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
O&M	\$5,876	\$6,514	\$6,632
Debt Service	2,831	2,842	2,860
Other <sup>1</sup>	958	1,022	1,029
<b>Total Costs</b>	<b>\$9,665</b>	<b>\$10,378</b>	<b>\$10,521</b>

1) Includes CIFR, payment to state, and sums in lieu.

# Water Earnings Statement (\$000's)

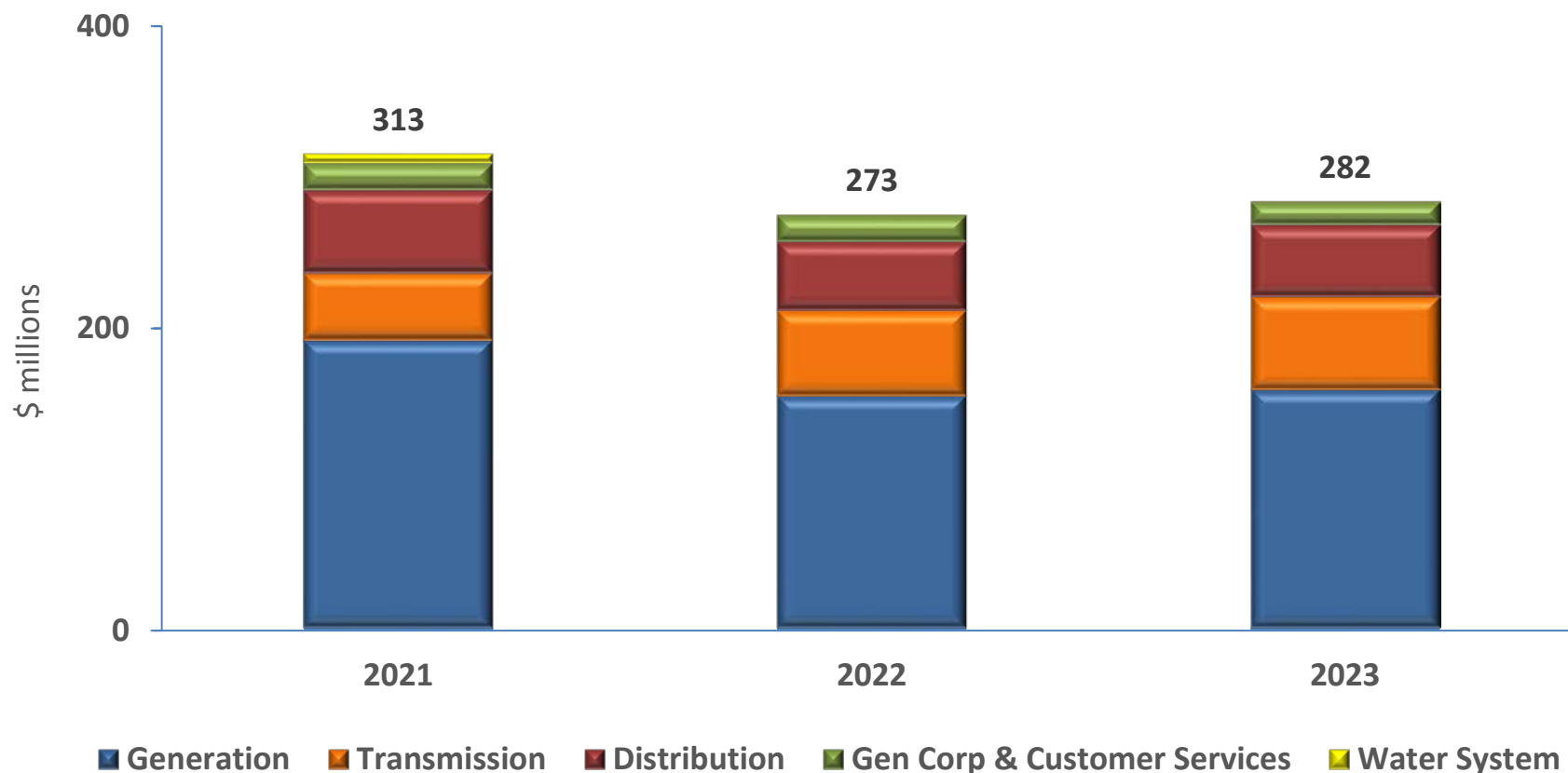


	2021	2022	2023
Total Operating Revenue	\$ 9,882	\$ 10,611	\$ 10,680
Total Operating Expenses	<u>7,523</u>	<u>8,170</u>	<u>8,292</u>
Net Operating Income	2,359	2,441	2,388
Total Other Income	20	29	38
Total Interest Charges	488	451	413
Costs to be Recovered from Future Rates	<u>1,047</u>	<u>1,077</u>	<u>1,102</u>
Reinvested Earnings	2,938	3,096	3,115
Payment to State	<u>106</u>	<u>106</u>	<u>107</u>
Net Reinvested Earnings	<u>\$ 2,832</u>	<u>\$ 2,990</u>	<u>\$ 3,008</u>

# **Combined Systems – Capital Budget**

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# Construction & Capital Equipment



# Construction & Capital Equipment

(\$000's)



## Electric System

Environmental Compliance Projects  
FERC Capital  
Future Generation  
Marion-Conway 230kv Line  
AMI Meters  
Sub-Total

2021

2022

2023

\$49,821

\$58,989

\$58,811

2,375

1,275

1,058

18,660

15,000

25,765

887

23,042

14,608

14,164

129

119

85,907

98,435

100,361

## General Construction & Capital Equipment

Generation  
Transmission  
Distribution  
General Corporate & Customer Service

\$119,347

\$78,306

\$71,906

43,627

33,444

46,927

40,607

45,361

47,491

17,653

17,362

15,141

## Total Electric System

307,140

272,908

281,826

## Water System

6,334

432

245

## Combined Systems

\$313,474

\$273,340

\$282,071

# Funding Sources for Capital Expenditures (\$000's)



	2021	2022	2023
Internal Funds	\$ 108,941	\$ 151,572	\$ 148,657
External Funds <sup>(1)</sup>	204,533	121,768	133,414
Total Capital Expenditures	<u>\$ 313,474</u>	<u>\$ 273,340</u>	<u>\$ 282,071</u>

(1) Includes Short Term debt borrowings, Long Term debt borrowings, and \$6M in year 2021 for Water Expansion cost that is funded with contribution in aid.

# Combined System – Projected Financial Metrics



	2021	2022	2023
<b>Debt Service Coverage</b>			
Funds Available for DS (\$ millions)	\$584	\$658	\$636
Debt Service (\$ millions) (1)	\$420	\$460	\$484
DSC	1.38	1.42	1.31
<b>Leverage</b>			
Debt Outstanding (\$ billions)	\$6.6	\$6.6	\$6.2
Debt-to-capitalization	75%	74%	74%
<b>Liquidity</b>			
Unrestricted cash (\$ millions)	\$444	\$335	\$326
Days Cash on Hand	148	118	115
(1) Debt service excludes defeasances and debt service not received through rates			

# Board Resolution

- The Board of Directors approves and authorizes the Calendar Year 2021 Budget and approves for planning purposes the Calendar Years 2022 and 2023 Budgets.
- The Board of Directors authorizes the Authority to execute transfers from the Revenue Fund during Calendar Year 2021 as required by the Authority's bond resolutions.
- The Board of Directors directs and authorizes the Authority's management to pursue the most cost-effective and efficient means for financing the Financed Costs while complying with the requirements of the Cook Settlement and Act 135.





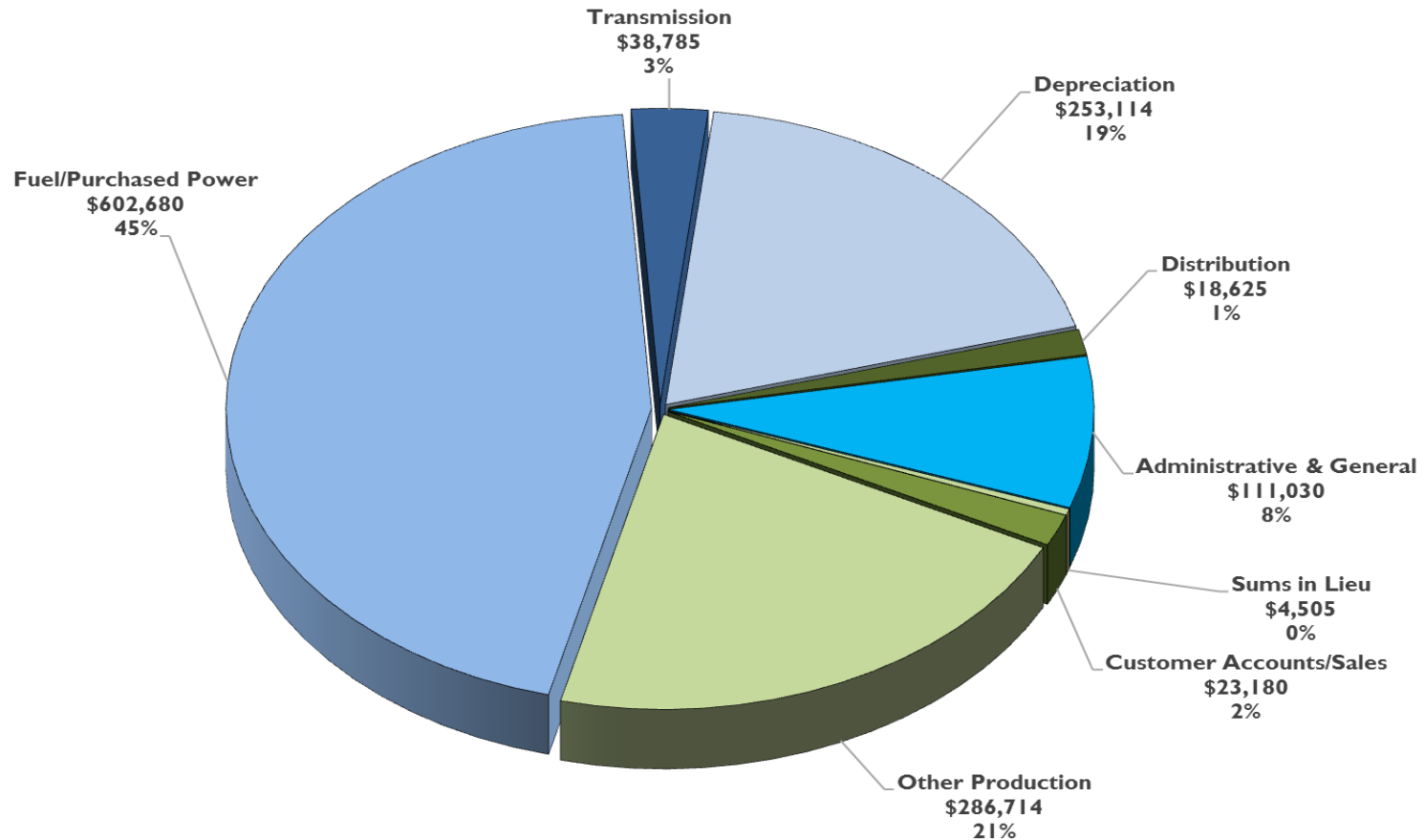
# Appendix

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# 2021 Electric Operating Expenses (\$000's)

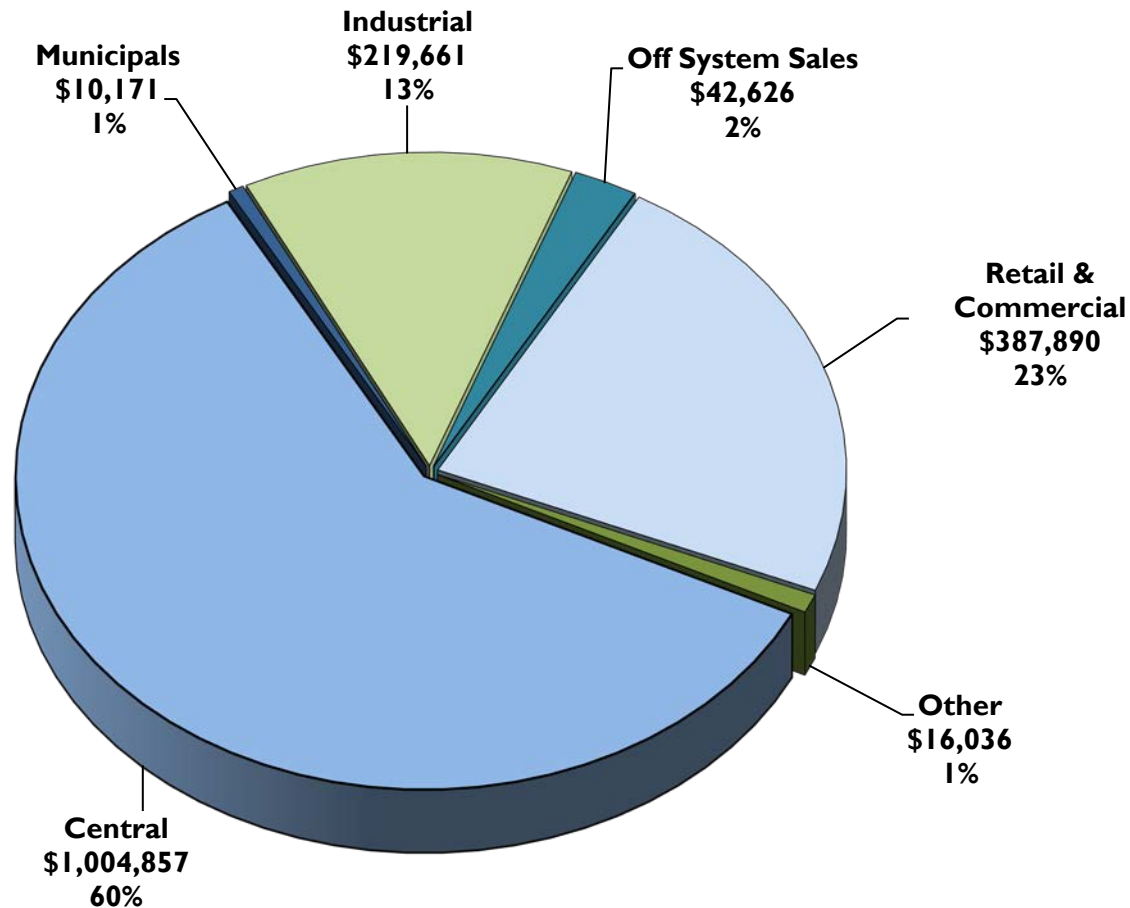


**Total Budgeted Operating Expenses = \$1,338,633**



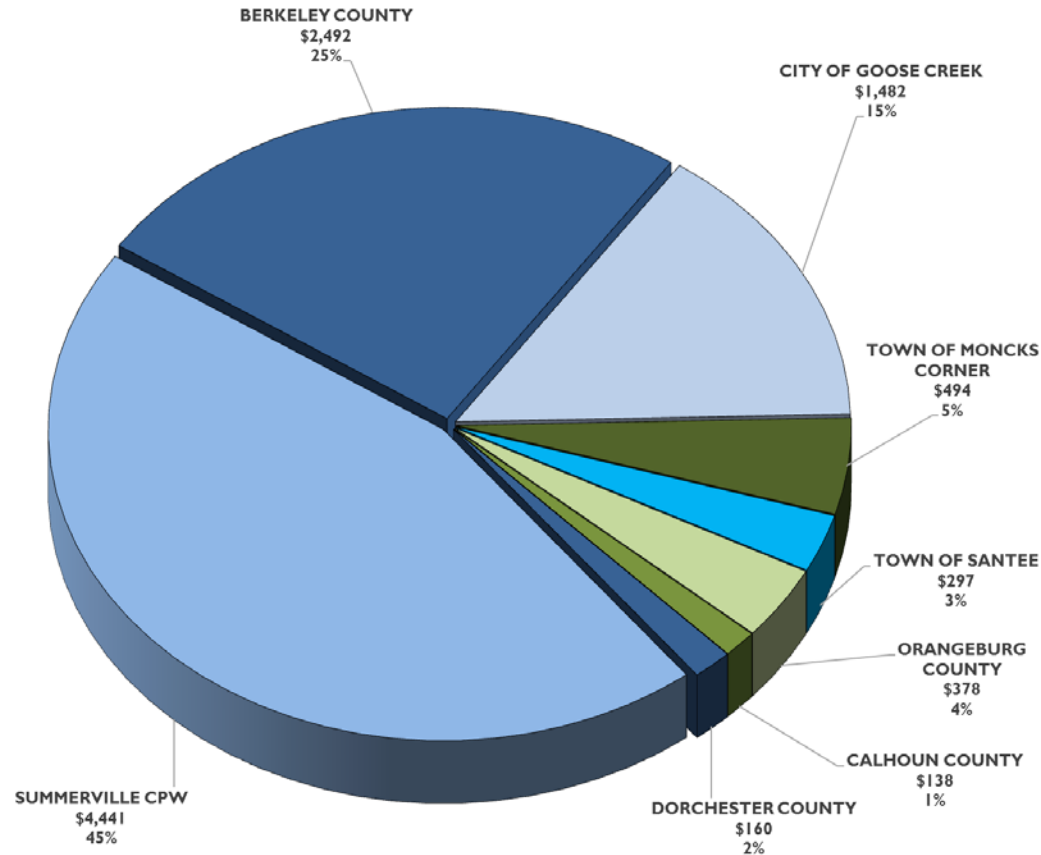
# 2021 Electric Operating Revenues (\$000's)

**Total Budgeted Operating Revenues = \$1,681,242**



# 2021 Water Operating Revenues (\$000's)

**Total Budgeted Operating Revenues = \$9,882**



# 2021 Water Operating Expenses (\$000's)

**Total Budgeted Operating Expenses = \$7,523**

